

Report of Audit

TOWNSHIP OF LEBANON

19-1100

CLINTON COUNTY, MICHIGAN

MARCH 31, 2004

LYLE D. HEPFER & COMPANY, P.C.
715 N. CEDAR STREET, LANSING, MICHIGAN 48906

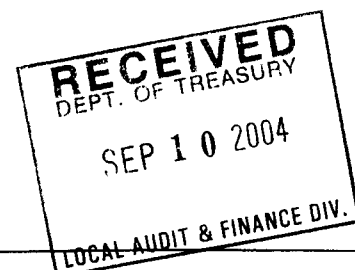
CERTIFIED PUBLIC ACCOUNTANTS
TELEPHONE (517) 484-1346

APPENDIX A

Michigan Dept. of Treasury, Local Government Audit Division
L-3147 (Rev. 3/91))

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.



Local Government Name Township of Lebanon		Unit <input type="checkbox"/> City <input type="checkbox"/> County <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village
Audit Date March 31, 2004	Opinion Date August 24, 2004	Date Accountant Report Submitted To State: September 7, 2004

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. We have disclosed "yes" responses in the financial statements, including the notes, or in the report of comments and recommendations

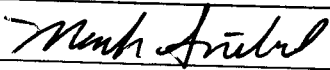
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's fund balances (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are substantive instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. There is a court-ordered tax levy that was ordered without prior approval of the governing body.
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.

Please complete and sign the back of this form.

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
A. The letter of comments and recommendations.			X
B. Reports on individual federal assistance programs.			X
C. A schedule of federal financial assistance with the auditor's report on that schedule. (Schedule requirements in O.M. B. Circular A-128, section 13.a.1.; see AICPA Statement of Position 89-6, example 16, for report.)			X
D. The auditor's report on the internal control structure in accordance with Governmental Auditing Standards. (Statement of Position 89-6, AICPA, example 25.)			X
E. The auditor's report on internal controls (accounting and administrative), based on a study and evaluation made as a part of an audit of the general purpose or basic financial statements, and the additional tests required by the Single Audit Act. (Statement of Position 89-6, example 26.)			X
F. The auditor's report on compliance based on an audit of general purpose or basic financial statements performed in accordance with Governmental Auditing Standards. (Standards of Position 89-6, example 17.)			X
G. The auditor's single audit opinion on compliance with specific requirements applicable to major federal financial assistance programs. (Statement of Position 89-6, examples 18-22.)			X
H. The auditor's single audit report on compliance with the general requirements applicable to major federal financial assistance programs. (Statement of Position 89-6, example 23.)			X
I. The auditor's single audit report on compliance with requirements applicable to non-major federal financial assistance program transactions. (Statement of Position 89-6, example 24.)			X
J. The auditor's report on fraud, abuse, or an illegal act or indications of such acts. (See Chapter 5, paragraph 16, of <i>Governmental Auditing Standards</i> (yellow book).)			X

Certified Public Accountant (Firm Name)			
Lyle D. Hepfer & Co., P.C.			
Street Address		City	State
715 N. Cedar Street		Lansing	MI
Accountant Signature		ZIP	
		48906	9/7/04

TOWNSHIP OF LEBANON

TOWNSHIP BOARD

2003-2004

Gregory Armbrustmacher	-	Supervisor
Steven Thelen	-	Clerk
Mindy Thelen	-	Deputy Clerk
Michael Klein	-	Treasurer
Judy Klein	-	Deputy Treasurer
David Piggott	-	Trustee
Gene Sanborn	-	Trustee

TOWNSHIP OF LEBANON
CLINTON COUNTY, MICHIGAN

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Lebanon
Clinton County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Lebanon, Clinton County, Michigan, as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Lebanon's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Lebanon, Clinton County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Lebanon. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Lyle D. Hepfer & Co., P.C.
Certified Public Accountants

August 24, 2004

TOWNSHIP OF LEBANON

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COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPSMARCH 31, 2004

	<u>GOVERNMENTAL</u> <u>FUND TYPES</u> <u>GENERAL</u>	<u>FIDUCIARY</u> <u>FUND TYPES</u> <u>TRUST &</u> <u>AGENCY</u>	<u>ACCOUNT</u> <u>GROUP</u> <u>GENERAL</u> <u>FIXED ASSETS</u>	<u>TOTAL</u> <u>MEMORANDUM</u> <u>ONLY</u>
<u>ASSETS</u>				
Cash in Bank	\$ 122,361.75	\$ 0.00	\$ 0.00	\$ 122,361.75
Investments	0.00	18,808.34	0.00	18,808.34
Taxes Receivable	4,533.46	0.00	0.00	4,533.46
Due from other				
Governmental Units	6,124.00	0.00	0.00	6,124.00
Fixed Assets	0.00	0.00	33,838.20	33,838.20
<u>TOTAL ASSETS</u>	<u>133,019.21</u>	<u>18,808.34</u>	<u>33,838.20</u>	<u>185,665.75</u>
<u>FUND EQUITY</u>				
Investment in General				
Fixed Assets	0.00	0.00	33,838.20	33,838.20
Fund Balance-Reserved	0.00	18,808.34	0.00	18,808.34
Fund Balance-Unreserved	133,019.21	0.00	0.00	133,019.21
<u>TOTAL FUND EQUITY</u>	<u>133,019.21</u>	<u>18,808.34</u>	<u>33,838.20</u>	<u>185,665.75</u>

See Accompanying Notes to Financial Statements.

TOWNSHIP OF LEBANON

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COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS

EMPLOYEE PENSION PLAN

FOR THE YEAR ENDED MARCH 31, 2004

	<u>PENSION TRUST</u>
<u>ADDITIONS</u>	
Contributions:	
Employer	\$ 2,832.00
Investment Earnings:	
Investment Earnings	791.47
Less: Custodian Fees	<u>(89.59)</u>
<u>NET INVESTMENT EARNINGS</u>	<u>701.88</u>
<u>TOTAL ADDITIONS</u>	<u>3,533.88</u>
<u>DEDUCTIONS</u>	
Benefits Paid	<u>0.00</u>
<u>NET INCREASE</u>	<u>3,533.88</u>
<u>NET ASSETS HELD IN TRUST FOR PENSION BENEFIT</u>	
<u>BEGINNING OF YEAR</u>	<u>15,274.46</u>
<u>END OF YEAR</u>	<u><u>18,808.34</u></u>

TOWNSHIP OF LEBANON

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COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

	<u>GENERAL</u>
<u>REVENUES</u>	
Taxes	\$ 58,424.05
State Grants	46,912.38
Charges for Services	9,711.96
Interest Earnings	696.81
<u>TOTAL REVENUES</u>	<u>115,745.20</u>
<u>EXPENDITURES</u>	
Legislative	1,625.00
General Government	34,363.77
Public Safety	12,600.00
Public Works	37,754.47
Health and Welfare	1,750.00
Capital Outlay	0.00
<u>TOTAL EXPENDITURES</u>	<u>88,093.24</u>
<u>EXCESS OF REVENUES OVER</u> <u>EXPENDITURES</u>	<u>27,651.96</u>
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>105,367.25</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>133,019.21</u>

See Accompanying Notes to Financial Statements.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED MARCH 31, 2004

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<u>REVENUES</u>			
Taxes	\$ 53,900.00	\$ 58,424.05	\$ 4,524.05
State Grants	46,000.00	46,912.38	912.38
Charges for Services	0.00	9,711.96	9,711.96
Interest Earnings	0.00	696.81	696.81
<u>TOTAL REVENUES</u>	<u>99,900.00</u>	<u>115,745.20</u>	<u>15,845.20</u>
<u>EXPENDITURES</u>			
Legislative	1,700.00	1,625.00	75.00
General Government	43,300.00	34,363.77	8,936.23
Public Safety	9,500.00	12,600.00	(3,100.00)
Public Works	45,400.00	37,754.47	7,645.53
Health and Welfare	0.00	1,750.00	(1,750.00)
Capital Outlay	0.00	0.00	0.00
<u>TOTAL EXPENDITURES</u>	<u>99,900.00</u>	<u>88,093.24</u>	<u>11,806.76</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>0.00</u>	<u>27,651.96</u>	<u>27,651.96</u>
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>105,367.00</u>	<u>105,367.25</u>	<u>0.25</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>105,367.00</u>	<u>133,019.21</u>	<u>27,652.21</u>

See Accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTSMARCH 31, 2004SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of Lebanon conform to generally accepted accounting principles as applicable to governmental units. The modified accrual basis method of accounting is followed by all governmental fund types. Agency fund types use the cash basis method of accounting. Pension trust funds use the economic resources measurement focus.

THE REPORTING ENTITY

The Township operates under an elected board and provides services in many areas including fire protection and prevention, maintenance of highway, streets and bridges, and community enrichment.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

FUNDS AND ACCOUNT GROUPS

The financial activities of the Township of Lebanon are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, and charges for services.

Fiduciary Funds

Agency Funds - These funds are used to account for assets held as a trustee.

Pension Trust Fund - Accounts for assets held for the Township's employee retirement system.

Account Groups

General Fixed Assets Account Group - This Account Group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets). All fixed assets have been valued at replacement value as of April 1, 1986.

FINANCIAL REPORTING

The basic general purpose financial statements are a combined balance sheet for all fund types and account groups and a combined statement of revenues, expenditures, and changes in fund balances for all governmental fund types. The memorandum total column of the combined financial statements is an aggregate of the columnar statements which does not present consolidated financial information.

NOTES TO FINANCIAL STATEMENTSMARCH 31, 2004BUDGET BASIS OF ACCOUNTING

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (modified accrual basis). The Township's expenditures and budgeted expenditures for the budgetary fund have been shown on a functional basis. The approved budget for the Township for this budgetary fund was adopted to the activity level.

CASH & INVESTMENTS

The following is a summary of the Township of Lebanon's bank balances and investments as of 3/31/04 classified according to GASB #3.

Bank Balances

Risk Categories:

- (1) Insured or collateralized with securities held by the entity or by its agent in the entities name.
- (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.
- (3) Uncollateralized and uninsured.

BANK BALANCES

Risk Category #1	\$ 122,361.75
Risk Category #2	-0-
Risk Category #3	-0-
<u>TOTAL BANK BALANCES</u>	<u>122,361.75</u>

Investments

Risk Categories:

- (1) Insured or registered in the name of the governmental entity or its agent in the entity's name.
- (2) Uninsured and unregistered, with securities held by the counter party's trust department or agent in the entity's name.
- (3) Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the entity's name.

	<u>CATEGORY</u>			<u>CARRYING</u>	<u>MARKET</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>AMOUNT</u>	<u>VALUE</u>
<u>Pension Trust Fund</u>					
Insurance Accounts	\$0.00	\$18,808.34	\$0.00	\$18,808.34	\$18,808.34

GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>4/1/03</u>	<u>ADDITIONS</u>	<u>DEPLETIONS</u>	<u>3/31/04</u>
Equipment	\$ 5,350.00	\$ -0-	\$ -0-	\$ 5,350.00
Land & Buildings	28,488.20	-0-	-0-	28,488.20
Total	<u>33,838.20</u>	<u>-0-</u>	<u>-0-</u>	<u>33,838.20</u>

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2004

PROPERTY TAXES

Property taxes are recorded as revenues when they are measurable and available for expenditure. The property tax revenue reflected in the financial statements represents taxes levied and enforceable on December 1st based on the taxable value valuation of property located in the Township of Lebanon as of the preceding December 31st. Collection of Township taxes occurs between December 1 and February 14 with the final collection date of February 28 before they are added to the county delinquent tax rolls.

The Township is permitted by law to levy taxes up to \$6.0000 per \$1,000 of assessed valuation for general governmental services other than the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended March 31, 2004 was \$.9520 per \$1,000.

On August 6, 2002, township voters approved an additional \$2.0000 per \$1,000 for four years to be used exclusively for road improvements. The tax rate for the additional road millage was \$1.9954 per \$1,000.

Total taxable valuation of \$18,451,378 generated current year general operating revenues of \$54,401.29. State equalized value was \$28,877,653.

EMPLOYEES' RETIREMENT SYSTEM - DEFINED CONTRIBUTION

The Township has a defined contribution pension plan covering all eligible employees. The plan was established by the Township Board and reserves the right to amend and administer all provisions. Plan assets are invested in separate employee accounts with Manulife Financial under the provisions of Section 401(a) of the Internal Revenue Code.

A defined contribution pension plan provides pension benefits in return for services rendered, an individual account for each participant, and specifies how contributions to the individual's account are to be determined. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed, returns earned on the investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account.

The plan requires the employer to contribute fifteen percent of the participating employees gross wages. Employer contributions for the year ended March 31, 2004 amounted to \$2,832.00.

RISK MANAGEMENT - CLAIMS & JUDGEMENTS

Significant losses are covered by commercial insurance for all major programs including workmen's compensation insurance. For insured programs, there has been no significant reduction of insurance coverage and settlement amounts have not exceeded coverage for the current year or the previous three years.

TOWNSHIP OF LEBANON

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>REVENUES</u>			
Property Tax Levy	\$ 50,600.00	\$ 54,401.29	\$ 3,801.29
Administrative Fee	3,300.00	4,022.76	722.76
State Grants	46,000.00	46,912.38	912.38
Charges for Services	0.00	9,711.96	9,711.96
Interest Earnings	0.00	696.81	696.81
<u>TOTAL REVENUES</u>	<u>99,900.00</u>	<u>115,745.20</u>	<u>15,845.20</u>
<u>EXPENDITURES</u>			
Township Board:			
Salaries	1,700.00	1,625.00	75.00
General Government:			
Supervisor:			
Salaries	7,600.00	3,600.00	4,000.00
Expenses	1,400.00	1,129.79	270.21
<u>TOTAL SUPERVISOR</u>	<u>9,000.00</u>	<u>4,729.79</u>	<u>4,270.21</u>
Assessor:			
Contracted Services	4,250.00	4,100.00	150.00
Attorney:			
Professional Services	600.00	0.00	600.00
Clerk:			
Salaries	4,200.00	4,200.00	0.00
Board of Review:			
Salaries	450.00	360.00	90.00
Treasurer:			
Salaries	6,300.00	6,300.00	0.00
Cemetery:			
Contracted Services	6,000.00	6,536.90	(536.90)
Hall and Grounds:			
Utilities & Maintenance	1,000.00	600.00	400.00

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCEBUDGET AND ACTUAL - GENERAL FUNDFOR THE YEAR ENDED MARCH 31, 2004

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>
<u>EXPENDITURES (Continued)</u>			
Other General Government:			
Elections	\$ 1,000.00	\$ 165.00	\$ 835.00
Dues	600.00	371.68	228.32
Printing & Supplies	3,000.00	1,452.98	1,547.02
Pension Expense	3,000.00	2,832.00	168.00
Workmen's Comp.	600.00	172.00	428.00
Insurance and Bonds	2,600.00	2,543.42	56.58
Miscellaneous	700.00	0.00	700.00
<u>TOTAL OTHER GENERAL GOVERNMENT</u>	<u>11,500.00</u>	<u>7,537.08</u>	<u>3,962.92</u>
<u>TOTAL GENERAL GOVERNMENT</u>	<u>43,300.00</u>	<u>34,363.77</u>	<u>8,936.23</u>
Fire:			
Professional Service	9,500.00	12,600.00	(3,100.00)
Public Works:			
Drain At Large	2,500.00	2,764.84	(264.84)
Roads:			
Professional Service	42,900.00	34,989.63	7,910.37
<u>TOTAL PUBLIC WORKS</u>	<u>45,400.00</u>	<u>37,754.47</u>	<u>7,645.53</u>
Ambulance:			
Donations	0.00	1,750.00	(1,750.00)
Capital Outlay	0.00	0.00	0.00
<u>TOTAL EXPENDITURES</u>	<u>99,900.00</u>	<u>88,093.24</u>	<u>11,806.76</u>
<u>EXCESS OF REVENUES OVER</u> <u>(UNDER) EXPENDITURES</u>	<u>0.00</u>	<u>27,651.96</u>	<u>27,651.96</u>
<u>FUND BALANCE, BEGINNING OF YEAR</u>	<u>105,367.00</u>	<u>105,367.25</u>	<u>0.25</u>
<u>FUND BALANCE, END OF YEAR</u>	<u>105,367.00</u>	<u>133,019.21</u>	<u>27,652.21</u>

See Accompanying Notes to Financial Statements.

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIESALL AGENCY FUNDSFOR THE YEAR ENDED MARCH 31, 2004

	<u>BALANCE</u> <u>4/1/03</u>	<u>ADDITIONS</u>	<u>DISBURSEMENTS</u>	<u>BALANCE</u> <u>3/31/04</u>
<u>ASSETS</u>				
Cash in Bank	\$ <u>0.00</u>	\$ <u>395,212.97</u>	\$ <u>395,212.97</u>	\$ <u>0.00</u>
<u>LIABILITIES</u>				
Due to Other Funds	0.00	53,788.89	53,788.89	0.00
Due to County	0.00	179,881.33	179,881.33	0.00
Due to State Education	0.00	88,289.68	88,289.68	0.00
Due to Schools	<u>0.00</u>	<u>73,253.07</u>	<u>73,253.07</u>	<u>0.00</u>
<u>TOTAL LIABILITIES</u>	<u>0.00</u>	<u>395,212.97</u>	<u>395,212.97</u>	<u>0.00</u>

See Accompanying Notes to Financial Statements.